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RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001336

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SUBJECT: LEGISLATURE FREEZES PART OF BUDGET FOR PURCHASING
U.S. ARMS, AIDE SAYS ACT NOT ANTI-AMERICAN

Classified By: AIT Political Section Chief David H. Rank for Reasons 1.
4 (b/d)

11. (C) Summary. The Legislative Yuan Defense and Foreign Affairs Committee froze nearly USD 200 million from the 2010 defense budget, most of which would buy U.S. weapons in the procurement pipeline or on Taiwan's wish list.⁸ A well-placed legislative staff member said the freeze was a result of committee members taking their oversight and fiscal responsibilities seriously. He said it would be lifted once the Ministry of National Defense (MND) answered lawmakers' questions about the purchases. Although the aide insisted the freeze was not intended as an anti-American signal, he said U.S. foot-dragging and lack of transparency in the procurement process had led to a loss of confidence in the U.S. commitment to Taiwan among a segment of the local population. End summary.

Budget Freeze: Act of Good Government Not Anti-Americanism

12. (C) In an October 30 meeting with PolOff, Winston Li, Chief of Staff to influential Legislative Yuan (LY) Defense and Foreign Affairs Committee member Shuai Hua-Ming, provided some details of the panel's just-concluded review of the 2010 defense budget. Li said Shuai led the Committee's review of classified and unclassified portions of the defense budget and froze a small part of the arms procurement fund. The actions affected five proposed defense-related purchases from the United States: UH-60M utility helicopters, diesel submarines, Javelin anti-tank missiles, F-16C/D fighters and software for an early-warning radar system. The money would be unfrozen, Li said, once the MND provided acceptable responses to the committee's queries on cost and acquisition strategy. Li added that the Committee's action was taken as part of its oversight function, not as an act of anti-Americanism or an attempt to send the United States a message. Li stressed several times Shuai's pro-U.S. leanings and his commitment to the U.S.-Taiwan relationship.

Budget Freeze Affecting Some U.S. Systems

13. (SBU) Although Li would not confirm the amounts frozen for specific procurements because some of the figures were classified, local media reported approximately USD 192 million was frozen from the recently submitted USD 9 billion

defense budget. The freeze affected about USD 149.1 million in five U.S. programs either in the acquisition pipeline or on Taiwan's wish list: 8 UH-60M utility helicopters (approximately USD 3.1 million); a diesel submarine design study and full-program competition (approximately USD 36.9 million); Javelin anti-tank missiles (approximately USD 13.8 million); F-16C/D fighters (approximately USD 44 million of the current installment, to be unfrozen only if the U.S. agreed to sell the aircraft to Taiwan); and encryption software for an early warning radar system (approximately USD 55.3 million). The committee also froze money for tank upgrades, personnel-related spending and French air-to-air missile parts.

Eroding Confidence in U.S. Support

14. (C) His boss's pro-U.S. comments notwithstanding, Li noted Shuai's concern that some Taiwan decision makers and a small segment of Taiwan's population have started to question the U.S. commitment to Taiwan because of what they characterized as "self-interested decisions" by Washington. Li specifically cited as sources of anxiety perceptions of U.S. inaction on Taiwan's arms requests, especially F-16C/Ds, and of constant increases in U.S. weapons costs without proper justification. Shuai and other legislators believed Taiwan and the U.S. must rebuild mutual trust following eight years of tense relations during the Democratic Progressive Party administration of former President Chen Shui-bian, Li said. This would pave the way for confidence-building measures

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between Taiwan and the PRC and for continued improvement of cross-Strait relations. As it now stood, U.S. unwillingness to act on pending arms requests and Washington's reluctance to release critical technologies to help develop Taiwan's own defense industry put Taiwan in a weakened military position vis-a-vis the PRC, he emphasized.

15. (C) Li passed on three suggestions from Shuai to bolster the U.S.-Taiwan relationship and to shore up Taiwan's confidence. Most urgently, the United States should show some tangible demonstration of support, such as taking action on the F-16C/D and other pending arms requests. Shuai also hoped to see more transparency in the arms sales process, especially on pricing. Finally, the United States should be more sensitive to Taiwan's domestic considerations when reaching policy decisions because officials could not ignore public opinion.

16. (C) Comment: In many sense Taiwan still views U.S. arms sales as a barometer of the relationship. There always is much public posturing by Taiwan politicians during budget season and LY member Shuai is sometimes a wild card in the debate on security issues. However, he and his KMT colleague on the Defense and Foreign Affairs Committee, Lin Yu-fang, have been consistent in their support for frugality within the MND and for proper legislative oversight, sometimes to the detriment of ongoing programs. Nonetheless, the Committee's actions seem to bear out some lawmakers' concerns about the U.S. commitment to provide necessary arms to Taiwan in a timely fashion and the U.S. willingness to support Taiwan over Beijing's protestations.

STANTON